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CIA

19 July 1966

MEMORANDUM FOR : Director of Personnel
SUBJECT : Annual Report - Fiscal
Year 1966

Forwarded herewith is the Fiscal Year 1966
Annual Report for Contract Personnel Division.



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Chief
Contract Personnel Division

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SECTION I. MAJOR ACTIVITIES DURING FY 1966

1. Work Load Analysis

a. Statistical data for a four year period is provided to show significant trends in CPD activities.

b. For the fifth year in a row the on duty strength of all categories of contract personnel has increased.

c. The number of contracts prepared in CPD increased 9% over FY 1965. The number of contract amendments prepared increased 36% due largely to a legislative pay increase, PCS changes, increased attention to fringe benefits [REDACTED] The volume of field contracts and amendments continues at a high level. CPD's review of field documents is thorough. Corrective action is taken where indicated.

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e. The number of proposed industrial contracts on which CPD has taken action has been included for the first time in this year's statistics. Under [REDACTED] the Director of Personnel has a responsibility to review and approve industrial contract proposals which primarily concern the procurement of personal services. The Director of Personnel has delegated this responsibility to Chief, Contract Personnel Division.

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f. The sharp decrease in the number of on-board staff agents is the result of a management decision to convert JMWAVE staff agents to staff employee status. The conversion was initiated and completed in FY 1966. Approximately [REDACTED] individuals were involved.

g. The large number of separation allowances authorized in FY 1966 results from the Agency build-up (staff and contract) in South East Asia, primarily Viet Nam.

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SECTION II. SIGNIFICANT DEVELOPMENTS IN FY 1966

1. Advisory Personnel.

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25X1A The consultant regulation [REDACTED] and accompanying handbook [REDACTED] were completed and published during the early part of FY 1966. The Office of General Counsel has recently initiated a revision to the regulation by adding the requirement that consultants submit supplementary statements at the end of each quarter during which a change in employment and financial interest occurs. This change will bring Agency regulations and practices in line with Executive Order 11222 and the Civil Service regulations issued under that Executive Order. OGC and CPD have also revised the consultant employment and financial interest statement to make it more compatible with the form recommended by the Civil Service Commission.

2. Review of Proposed Industrial Contracts.

"Industrial contracts which are designed primarily to obtain the personal services of individuals are permitted only under the most unusual circumstances when the services sought cannot be obtained in any other practicable way." Under [REDACTED] the Director of Personnel has the responsibility to implement the Agency policy stated above. These proposals have involved CPD discussions with the requesting component and representatives of Procurement Division or Recruitment Division regarding the availability of existing Agency personnel to perform a like service or the Agency's ability to recruit individuals therefor. Most proposals are in the scientific and technical area with DD/S&T being the biggest user. The Office of Computer Services, the Office of Elint, Foreign Missile and Space Analysis Center and the Office of Scientific Intelligence accounted for 34 of the 46 cases reviewed in FY 1966. In my opinion components requesting industrial contracts of this nature do so as a last resort. They are well aware that the costs are high, often excessive, and normally have spent both time and effort in attempting to solve the problem in a more direct manner.

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3. Administrative Allowance Committee.

The Administrative Allowance Committee made substantial progress during FY 1966. A permanent Secretary, [REDACTED], was officially added in January although she had been working with the Committee on an informal basis several months earlier. [REDACTED]

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sits in Contract Personnel Division. Her Secretarial duties are supported by the clerical staff of CPD. Chief, CPD continues to be the Office of Personnel representative on the Administrative Allowance Committee. In addition to her Secretarial duties [REDACTED] serves 25X1A9a as the CPD Allowance Specialist. With the work load of the Allowance Committee constantly increasing how long [REDACTED] can perform 25X1A9a both jobs is conjectural.

The Committee has agreed upon a list of 21 general principles applied in past cases which it will use as guidelines in future Committee cases. It has also reaffirmed its basic philosophy--to authorize total fixed payments, treated as a single package, which are non-accountable and non-taxable.

25X1A In May of 1966 a [REDACTED] was published advertising the existence of the Administrative Allowance Committee. It requests that all

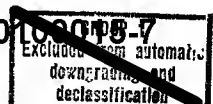
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4. Supplemental Retirement.

During FY 1966 a major effort was made in CPD to prepare and coordinate a study recommending supplemental retirement benefits for certain Agency contract employees. The study was initially approved in principle by the Clandestine Services but late in the year the need for further clarification developed. In June of 1966 an oral agreement was reached between the Director of Personnel and the Chief, Operational Services, DDP, concerning guidelines to be used in implementing the supplemental benefit program. Before these guidelines could be approved at the next higher level the possibility was discovered of covering most full-time Agency contract employees under Civil Service retirement. Many are the same individuals who would otherwise be eligible for supplemental retirement benefits. Exploratory discussions have been held between CIA representatives and Director, Bureau of Retirement and Insurance, Civil Service Commission, as well as between the Office

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of Personnel and the Office of General Counsel. As of this date no formal decision has been reached. Action has been suspended on the Agency supplemental annuity program.

5. Contract Regulation and Handbook.

As you know, CPD has been charged with the basic responsibility to update the contract handbooks, headquarters and field. During FY 1966 considerable time and effort was spent in this endeavor. After numerous drafts and much internal coordination an approved Office of Personnel version was forwarded to C/RCS/DDS. Following additional changes and discussion the proposed handbook was forwarded to all major Agency components for coordination. Although this is basically an updating effort, I feel reasonably sure the Clandestine Services and the Office of General Counsel will suggest significant changes in both form and substance.

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The contract regulation [REDACTED] has also been revised and is out for Agency coordination. Some changes in the regulation were necessary to correspond with changes in the proposed handbooks. However, the basic purpose of the revision is to set forth Agency policy

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6. Reemployed Annuitants.

During FY 1966 Agency policies were developed concerning the contractual rehire of retired Government annuitants. Requests for contracts with these individuals have been increasing for the last 3 years. The Agency's early retirement policy, the CIA retirement act and liberalized Government-wide retirement benefits have all increased the number of recently retired Government employees, many of whom are actively seeking full or part-time employment. The implications involved in using these individuals without a clear showing of need, a high approval level on compensation and a system of centralized monitoring are obvious.

Early in the year a decision was made that all requests to rehire civilian annuitants under contract would be approved by the Deputy Director concerned and the Director of Personnel before the contract was prepared. On 2 May 1966 this policy was incorporated in a memorandum from the Deputy Director for Plans to his chiefs of staffs and divisions. The memorandum also established clear guidelines for the rehire of all annuitants by the Clandestine Services. CPD participated in drafting the memorandum.

At the request of the Executive Director-Comptroller CPD has been maintaining a current roster of all civilian annuitants of the Government rehired by personal services contract. This includes independent contractors, contract employees and consultants. A quarterly report on all rehired annuitants is submitted to the Executive Director-Comptroller. Two such reports were prepared during FY 1966.

CPD has also been charged with the responsibility to work up an Agency policy regulation on the rehire of retired civilian annuitants. A proposed Agency notice on the subject has been drafted, coordinated within the Office of Personnel and was recently forwarded to the Executive Officer to the Deputy Director for Support.

7. Social Security.

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As you know Mr. [REDACTED] of CPD is the official Agency liaison officer with the Social Security Administration. The 1965 social security amendments, including the Medicare provisions, sharply increased his liaison activities. Many Agency contract employees either had applications to file for themselves or their dependents or

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OGC and CPD have agreed on the need to clarify the present regulatory language in this area and to make more flexible the application of the formula. This will be done during the current coordination of

9. Allowances.

The evacuation of dependents from Viet Nam and the need for additional civilian employees to serve in Viet Nam without dependents resulted in the creation of two special allowances by the Department of State, both of which were adopted by CIA:

(a) The Embassy in Viet Nam is authorized to reimburse employees up to 20% of their current separation allowance provided that each individual certifies his current living costs exceed a specified portion of his salary plus his current separation allowance. Most CIA employees in Viet Nam have so certified.

(b) It was officially determined that certain civilian government employees assigned to Viet Nam incur unusual and necessary travel costs to visit members of their family residing outside their country of assignment. Heads of Agencies are now authorized to reimburse employees for such travel costs up to \$2400 in any twelve month period of assignment to Viet Nam.

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Excluded from automatic
downgrading and
declassification

SECTION III. PLANS AND OBJECTIVES FOR FISCAL YEAR 1967

1. Of utmost importance in early FY 1967 is the need for a formal decision from the Bureau of Retirement and Insurance, Civil Service Commission, regarding coverage for most of our full-time contract employees under (1) Civil Service retirement (2) FEGLI and (3) the Health Insurance Program for appointed employees. A key element in this decision is the degree, if any, of retroactivity involved. We have been informally advised that prospective coverage is assured. In any event once a decision regarding eligibility and scope has been made, implementation by contract amendment will be a CPD responsibility. This will be a formidable and time consuming task although the results will more than justify the effort.

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The thrust of an Agency program of supplemental retirement benefits for contract employees is also directly related to the scope of Civil Service retirement coverage. If such coverage is prospective only and creditable service for previous contract time is denied we will still need some supplemental program to cover those long-standing contract employees who have only a few years to go before retirement. Younger men with little prior contract time would not qualify for an Agency program. (I am thinking here specifically of TSD's "career" contract employees.) If on the other hand creditable service for prior contract time is authorized no supplemental program would be needed. However, we can use the criteria of the staff study for any deserving ad hoc case that might arise.

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2. Another priority program is the coordination and publication of the headquarters notice on the rehire of retired civilian annuitants. I foresee no serious problem in completing this task within a relatively short period of time. The Clandestine Services has a similar published policy. Non DDP components have been living within the proposed policy restriction for the last six months on an informal basis. I do hope that when the Agency notice is published CPD can discontinue its quarterly annuitant report.

3. Publication of the contract handbooks, headquarters and field, is another FY 1967 objective, but one which will probably not be accomplished until FY 1968. The handbooks are each about 30 pages long. They provide both general and specific instruction, guidance, and restriction. They contain sample contracts, amendments, MOA's, termination notices, a benefit chart etc. In short, something for everybody--to comment on. Since we have existing handbooks on this subject that are still readable and useable the prospect of a long coordination process is not too discouraging--if better handbooks are the result.

25X1A Revision of the contract regulation is a different matter. It contains new and important policies that need to be published as soon as possible, i.e. the criteria for conversion from staff to career agent status. Publication of [REDACTED] is in my opinion a priority item for FY 1967.

4. I can foresee no significant decrease in CPD's contract work load in either FY 1967 or 1968 as long as staff ceiling and other restrictions continue.

In addition, the personal services contract has been and continues to be an excellent and flexible device for use in a temporary or emergency situation. Many Agency programs, projects and activities are staffed by contract personnel. [REDACTED] are contract projects orientated basically towards Southeast Asia. TSD has at least six projects approved for staffing with over [REDACTED] contract employees. RID has a project written around the use of retired annuitants. The Clandestine Services representative on the Historical Staff monitors a group of contract persons hired to write historical studies. The Office of ELINT has a training program that involves trainees hired by contract. Upon successful completion of the course the individuals are converted to staff status and assigned to [REDACTED]. The cooperative work study program of the Office of Communications uses the contract device. The Office of Personnel uses part-time clerical contract employees to support its field recruiters. The Office of Security and the Office of Medical Services would be hard pressed to operate without contract investigators and contract doctors. As you can see most major components have at least one activity which is staffed by contract personnel. In my opinion the number of these programs will increase, not decrease, during the next two years.

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